

**SUPPLEMENTARY  
ITEM TO  
A G E N D A**

**COUNCIL MEETING**

**27 MAY 2026**

**7.2**

**A PORTION OF REMAINDER ERF 4565 HERMANUS –  
PROPOSED CONFERENCE FACILITY, APPROVAL FOR  
COMMENCEMENT OF A PUBLIC PARTICIPATION PROCESS**

**PLEASE ADD THE ATTACHED PAGES 7 TO 15 TO YOUR  
AGENDA FOR ABOVE-MENTIONED MEETING. (THE  
ORIGINAL PAGE 7 IN YOUR AGENDA WILL CHANGE TO  
PAGE 16)**

**Administrative Support  
26 May 2026**

## 7.2

**A PORTION OF REMAINDER ERF 4565 HERMANUS – PROPOSED CONFERENCE FACILITY, APPROVAL FOR COMMENCEMENT OF A PUBLIC PARTICIPATION PROCESS**

D Hendriks  
19 May 2026

Principal Engineer: Project Management Unit

(028) 313 - 5059

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**1. Executive Summary**

To obtain approval to commence the public participation process for the lease of portions of Erf 4565 Hermanus (total of ±5483m<sup>2</sup> in extent), hereinafter referred to as “the Property”, for a period of 30 (THIRTY) years by means of a competitive process for the purpose of developing, managing and maintaining a conference facility, as it is envisaged that the total rental income for the proposed lease period will be in excess of R10,000,000.00 (TEN MILLION RAND).

See the locality and site map attached, marked Annexure “A” and “ B ” respectively.

**2. Service Delivery and Budget Implementation Plan - IGNITE**

Infrastructure Services  
Project Management Unit

**3. Compliance with Strategic Priorities**

Provision of democratic, accountable, and ethical governance

**4. Delegated Authority**

None

**5. Legal Requirements**

- Municipal Asset Transfer Regulations (R. 878 of 2008) (“MATR”)
- Administration of Immovable Property Policy of the Overstrand Municipality (2015)
- Local Government: Municipal Finance Management Act, Act 56 of 2003 (“MFMA”)
- Municipal Supply Chain Management Regulations (R. 868 of 2005)
- Overstrand Municipality Supply Chain Management Policy, as amended

## 6. Background/Discussion/Evaluation/Conclusion

### Background/Discussion

The Overstrand Municipality is considering making portions of Erf 4565 in Hermanus available to lease for the development of a conference facility capable of accommodating approximately 600 people, along with related amenities such as parking and a coffee kiosk for attendees and municipal officials. This initiative aligns with the municipality's strategic priorities of promoting infrastructure to support socio-economic growth. Hermanus is a growing hub of tourism and business, yet it lacks a large-scale, modern conference facility. Such a venue would draw regional and national conferences, boosting local tourism and hospitality sectors. It would further provide a professional space for municipal and community events, reducing reliance on external venues. It would further stimulate economic development through job creation during construction and ongoing operations.

Part of the proposed lease Property currently includes offices for Councillors, Human Resources Division, and the Socio-economic Programme Department. These facilities must be relocated before development can proceed. The Municipality will incur expenses associated with relocating these offices. The services would only expand to include the existing banquet hall and auditorium into the overall facility design and operational model.

Public participation will be necessary to ensure transparency and address any concerns or objections and to obtain comments from the community as to the need and desirability of the development.

### Evaluation

The following conditions of the Administration of Immovable Property Policy of the Overstrand Municipality apply:

**Paragraph 17: *“Taking into consideration the nature and duration of the lease to be entered into, the leasing of immovable property may be affected by means of either:***

***17.1 a competitive process, which may include a closed or public tender or proposal call, specifically in circumstances listed in paragraph 18 below; or***

***17.2 a direct lease.”***

**Paragraph 18: *“A competitive process must at all times be followed in circumstances where:***

***18.1 the lease is for a long-term with an income value in excess of R10 million;***

***18.2 the lease is for a formal business premises with a market related rental;***

- 18.3 more than one party, in discretion of the municipality, is interested in the lease of the subject property; and/or**  
**18.4 by discretion of the municipality, a competitive process will best serve the interests of the community”.**

As (i) any expected rental income, if a market related rental is enforced, for the proposed lease period will be in excess of R10,000,000.00 (TEN MILLION RAND), (ii) the municipality anticipates public interest in the initiative in developing, managing and maintaining a conference facility on the Property, (iii) the Property is well situated, and (iv) the intended use of the Property will be for business purposes, a competitive process must be followed.

**Paragraph 19: “Long term lease of municipal immovable property with an income value in excess of R10 million:**

- 19.1 The Municipality may grant a long-term lease of municipal immovable property with an income value in excess of R10 million only after:**
- (a) the Accounting Officer has, through the Property Administration Department, conducted a public participation process; and**
  - (b) the Municipal Council has approved in principle that the right may be granted.**
- 19.2 The public participation process in terms of paragraph 19.1(a) may only be authorised by the Municipal Council. A request to the Municipal Council for authorisation of a public participation process must be accompanied by:**
- (a) the reasons for the proposal to grant the long term lease;**
  - (b) any expected benefits to the Municipality as a result of the lease;**
  - (d) any expected proceeds to be received by the Municipality from the proposed lease, and**
  - (e) any expected gain or loss to be realised or incurred by the Municipality arising from the lease. ”**
- 19.3 If the public participation is authorised, the accounting officer must at least 60 days before the meeting of Council at which the determinations referred to in 19.1(b)(i) and (ii) above are considered**
- (a) make public the proposal to lease the asset;**
  - (b) invite the local community and other interested parties to submit comments or representations in respect of the proposed lease of the asset;**
  - (c) solicit the views and recommendations of the National Treasury and the relevant Provincial Treasury on the matter.**

It is requested that Council authorise the Accounting Officer, through the Project Management Unit, to commence with the public participation process as required above. Once the public participation process has been completed,

a report will serve before Council requesting the approval in principle of the lease of the Property by means of a competitive process, where all the comments will be included in order for Council to take an informed decision.

The proposed long-term lease period of 30 (thirty) years is motivated by the nature and scale of the investment required by the successful bidder. Any lessee awarded the lease will be required to invest substantial capital in preparing and developing the Property to accommodate their specific conference facility requirements. In this regard, a long-term lease arrangement provides greater business and financial viability, as it enables the lessee to recover the investment costs over an extended period and operate the facility in a sustainable manner.

Another benefit to the Municipality by leasing out the Property is that the lessee will be responsible for the maintenance of the buildings, which will lessen the burden placed on the Municipality's maintenance budget. The Property is an important attraction, not only for tourists visiting the area but also the community of the Overstrand Municipality and it is to the advantage of the Municipality if the Property is managed and used to its full potential.

Other additional benefits are that the proposed lease of a portion of Erf 4565, Hermanus, for the development of a conference facility is to strengthen the Overstrand Municipality's economic, tourism, and business infrastructure. The envisaged facility, with the capacity to accommodate approximately 600 delegates, together with supporting amenities such as parking and a coffee kiosk, will contribute towards creating a multifunctional venue capable of hosting conferences, seminars, workshops, exhibitions, and community-related events within the municipal area.

The development is aligned with the strategic objectives of the Overstrand Municipality to promote local economic development, stimulate investment, and enhance infrastructure that supports socio-economic growth. Hermanus has established itself as a prominent tourism destination and an emerging business hub within the region. Despite this growth, the town currently lacks a modern, large-scale conference facility capable of accommodating sizeable regional and national events. This gap limits opportunities to attract conferences, business tourism, and associated economic activities to the area.

The establishment of such a facility is expected to generate significant economic benefits for the municipality and surrounding communities. Conferences and business-related events typically increase demand for local accommodation establishments, restaurants, retail outlets, transport services, and other tourism-related businesses. The development therefore has the potential to stimulate secondary economic activity, create employment opportunities, and broaden the local economic base.

In light of the substantial capital investment likely to be required from the successful bidder to develop and equip the property for conference-related purposes, the long-term lease arrangement is considered necessary to ensure financial sustainability and to encourage meaningful private sector investment into the project.

**Paragraph 24:** *“The fair market value for the alienation of, the rental amount for the leasing or compensation payable for a servitude over municipal immovable property shall be determined by an independent professional valuer or professional associated valuer registered in terms of the Property Valuers Profession Act, 2000 (Act 47 of 2000), or any ensuing act at the cost of the purchaser (in the case of a direct sale) or lessee (in the case of a direct lease)/servitude holder (in the case of a servitude”.*

HCB Valuations and Services (Pty) Ltd determined the market related rental at an amount of R127,000.00 (HUNDRED AND TWENTY-SEVEN THOUSAND RAND) (VAT Included) per month. The viability of a market related rental amount, taking into account the proposed development of the Property, will be addressed a subsequent report which will serve before Council. It is envisaged that a nominal rental will be motivated to ensure that the envisaged development is viable for the Lessee.

**Paragraph 40:** *“Rental, except where it is decided otherwise by the Municipality, shall escalate on the 1st of July every year, by a percentage fixed in accordance with the prevailing consumer price index (all items).”*

A clause to this effect will be included in the lease agreement.

**It is further confirmed that the other Conditions of Lease as stipulated in paragraph 36 – 50 of the said policy will be included in the lease agreement.**

### **Conclusion**

Considering the above discussion, it is recommended that approval be given to the Accounting Officer, via the Project Management Unit, to commence with the public participation process for the proposed lease of the Property as required by the MATR and Administration of Immoveable Property Policy.

## **7. Financial Implications**

The estimated cost of the public participation process (media) will depend on which newspaper is used. The estimated costs per newspaper, taking into consideration recent advertisements placed, are as follows:

Hermanus Times: ±R 5,130.00 (VAT Incl.)  
 Village News: ±R 4,982.50 (VAT Incl.)

There is sufficient funding for the advertisement.

Source of Funding: Operating Budget Provisions

B Key: 20240627098244  
 Cost Account: 18200221470000  
 Item Description: Expenditure: Operational Cost: Advertising,  
 Publicity and Marketing: Corporate and Municipal  
 Activities  
 Budget Provision 2025/26: R0.00  
 Spent to Date/Committed: R0.00  
 Balance Available: R30 000 (as on 25<sup>th</sup> of May 2026)

## 8. Staff Implications

The staff implications will be addressed in the subsequent report which will serve before Council after the required public participation process.

## 9. Comments from other Departments, Divisions and Administrations

**Divisional Manager: Expenditure, Assets, Fleet and Logistics Management – Mr J Vorster**

*“As this is an income generating proposal, with no intention of selling the asset, there is no objection against the application. However, consideration has to be given to the treatment of the asset that will be created through the development of the Conference Facility and the eventual transfer thereof to the Municipality at the end of the proposed lease period.”*

## 10. Annexures

Annexure A: Locality map  
 Annexure B: Site Plan

### RECOMMENDATION TO THE COUNCIL:

that the Accounting Officer, via the Project Management Unit, **be authorised** to commence with the public participation process required by paragraph 19.1(a) of Council's Administration of Immovable Property Policy (2015), for the lease of PORTIONS OF REMAINDER ERF 4565 HERMANUS – PROPOSED CONFERENCE FACILITY, and to report the outcome of the public participation process thereon to Council in order for it to make a reasoned, deliberate decision in principle to proceed with the proposed competitive process for the said longterm lease.

**RESPONSIBLE OFFICIAL :**

**D HENDRIKS**

**TARGET DATE FOR IMPLEMENTATION :**

**27 MAY 2026**

# ANNEXURE A – LOCALITY MAP



Date: 2026/02/19

Specify Title



